

REMARKS

1. In the above-captioned Office Action, the Examiner rejected claims 1-4 and 9-11 under 35 U.S.C. §102(b) in view of Brockwell et al. (U.S. Patent No. 5,063,506). Claims 5-8 were rejected under 35 U.S.C. §102(b) in view of Foley (U.S. Patent No. 5,249,120). These rejections are traversed and reconsideration is hereby respectfully requested.

2. Claims 1-4 and 9-11 were rejected under 35 U.S.C. §102(b) in view of Brockwell. Claims 5-8 were rejected under 35 U.S.C. §102(b) in view of Foley. Both Brockwell and Foley teach systems and methods for estimating the *actual* cost of a part. Brockwell and Foley utilize *actual* costs based on their own rates for materials, overhead, transportation, and so forth.

As amended, the independent claims of the present invention, describe the use of *lowest cost potential* values, rather than actual values, to determine an ought-to-be cost. An ought-to-be cost is not an actual cost, but rather a cost based on the lowest cost potential values for a number of factors utilized, for example, in manufacturing a part. For example, an ought-to-be cost to manufacture a part may include the lowest cost potential for materials (e.g., \$1.21 per pound by Company A versus \$1.56 per pound by Company B&F), the lowest cost potential for labor (e.g., \$12.18 per hour by Company C versus \$13.22 by Company B&F), the lowest cost potential for yields (e.g., 98% in Company D versus 86% by Company B&F, and the lowest cost potential for scrap (e.g., 4 pounds/1000 pounds in Company E versus 5 pounds/1000 pounds by Company B&F) (The values utilized in this example are fictional numbers utilized to illustrate a point, not to provide actual values). Other factors may be utilized, but are not in this example for the sake of simplicity. Using Brockwell or Foley's method for Company B&F, it is easy to see by this example how Company B&F's actual costs are not what the cost ought-to-be if lowest cost potential values are utilized. For example, if the price Company B&F quoted using Brockwell's or Foley's methods was \$2.50 per part, the ought-to-be cost for the same part might be \$1.75 per part. One could approach Company B&F with the ought-to-be cost and work with that supplier to reduce their costs in order to provide a better price. From the above example, the supplier may be put in contact with the materials from Company A so that the materials may be obtained for less cost. Although the materials may now cost more than \$1.21 per pound due to extra shipping costs, they may nonetheless be cheaper than the Company B&F rates. Company B&F may be informed as to how to improve their yields and reduce their scrap utilizing the methods from Company D and Company E, respectively. As

a result, Company B&F is able to reduce costs and offer the buyer a rate of \$2.00 per part. By utilizing the ought-to-be cost, rather than actual costs, the parties are able to discuss price while discussing where and how cost-savings can be achieved, while the supplier is able to receive reasonable profit, rather than the time-old method of haggling over prices without justification for price or price-cuts.

Neither Brockwell nor Foley teaches or suggests utilizing lowest cost potential values nor an ought-to-be cost. Thus, Brockwell and Foley fail to teach the subject matter of the Independent claims 1, 2, 5, 8, 9, 13, 15, and 18. Hence, the applicant respectfully submits that claims 1, 2, 5, 8, 9, 13, 15, and 18 may be passed to allowance.

Furthermore, claims 3, 4, 6, 7, 10-12, 14, 16, 17, 19, and 20 are dependent upon an independent claim that is shown to be allowable. For all these reasons, the dependent claims are themselves allowable.

8. No new subject matter is introduced by the amendments to the specification or to the claims or by the addition of the new claims. The changes to the specification correct typographical errors.

9. The Examiner is invited to contact the undersigned by telephone or facsimile if the Examiner believes that such a communication may advance the prosecution of the present application. Notice of allowance of claims 1-20 is hereby respectfully requested.

FAX RECEIVED

Date: August 12, 2003

AUG 14 2003

By:

GROUP 3600

Respectfully submitted,

Susan L. Lukasik

Susan L. Lukasik
Registration No. 35,261
Attorney for Applicant
International Truck and Engine
Voice: (630) 753-2172
Fax: (630) 753-3982

CITICORP